Commercial Service Caribbean Region
Santo Domingo

Beverage Processing Machinery

This report provides U.S. exporters of beverage processing machinery with an overview of the general commercial and economic situation in the Dominican Republic and highlights areas of opportunities for U.S. exports in the beverage processing industry sector.

General Overview:

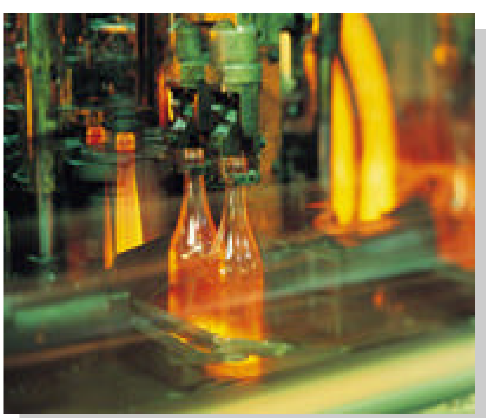
The Dominican economic situation deteriorated in 2003 when Gross Domestic Product (GDP) growth was –0.4%, inflation reached 43% and the exchange rate reached an all-time high of RD$50 to US$1. However, a new administration was sworn into office in August 2004. The Fernandez administration has committed to re-establish growth and competitiveness. There are already visible signs of growth, including an expansion among the country's banks. In fact, GDP grew by 4.3 percent during the first quarter of 2005 when compared to the same period of 2004. The Dominican peso has also appreciated to approximately RD$28 to US$1.

This recuperation has been the result of a tight monetary policy and the strengthening of fiscal measures by the Government of the Dominican Republic. These factors were critical to regain the confidence of the economic agents. The growth experienced in the first quarter of 2005 was characterized by low inflation, interest rate reductions, and relative stability in the exchange rate.

Market Overview

The positive economic indicators such as the stable exchange rate, lower interest rates and lower inflation has created confidence in the business community and, therefore increases commercial activity which reactivates projects in the beverage processing sector.

The Brazilian company Ambev is installing a new brewery in Santo Domingo and has also acquired the majority of the shares of Embotelladora Dominicana, the local authorized Pepsi Cola bottler. This multi-million investment in both areas (beer and refreshments) may be responsible for the proliferation of new projects by other bottlers that will need to face this new competitor in the market.



Due to the economic crisis in 2003, the total market for beverage processing machinery was US$10 million, however it reached US$19 million in 2004. Industry sources forecast moderate growth for 2005 with the total market reaching US$20 million since some of the projects that started in 2004 will continue to develop in 2005. These projects include new beverage production facilities as well as expansion and/or upgrades in beverage processing machinery.

Beverage Processing Machinery Sector

In US$ Millions

	2003 *	2004 *	2005 (e) *
Total Market	10.2	19.0	20.0
Exports	-	-	-
Local Production	0.7	1.0	1.0
Total Imports	9.5	18.0	19.0
Imports from the U.S.	3.8	7.2	7.6

* Not official statistics. Estimates based on interviews with industry sector representatives.

Import Market

Imports are the dominant market source for the beverage processing machinery industry. Overseas purchases represent 93 percent of the total market. The remaining seven percent constitute the local production that comes from small and medium shops that manufacture custom built filling equipment and conveyors mainly for rum and water processing.

Since local import statistics are not available, we have used statistics from the US Trade On Line to obtain an estimated total import market. Imports from the United States amounted to US$3.8 million in 2003 and increased 89 percent to US$7.2 million in 2004. It is estimated that U.S. imports will reach US$7.6 million in 2005.

The total import market for beverage processing machinery grew from US$9.5 million in 2003 to US$18 million in 2004, and is expected to increase moderately to US$19 million in 2005.

Purchases from the U.S. constitute approximately 40 percent of total imports. Imported European equipment has a larger market share.

Competition

The U.S. faces strong competition in the beverage processing industry sector in the Dominican Republic. The competitors vary in each sub-category as follows:

Water: Most of the equipment comes from Spain, Italy, Germany, France, Colombia, Brazil, Argentina, Dominican Republic and the United States.

Non-Alcoholic Beverages: Refreshments manufacturers mainly use equipment from Italy, Argentina, Germany and the United States.
Juice processors use equipment mainly from the United States.

Beer: German equipment dominates the market (KHS & Krones). Also equipment from Canada, France and Italy is used. From the United States, the company Barry Wehmiller has the strongest presence in the market.

Alcoholic Beverages: Rum manufacturers have traditionally acquired reconstructed equipment from the United States.

End Users

Dominican end users of beverage processing equipment are small to large companies involved in the manufacturing beverages. There are several multinational beverage companies operating in the Dominican Republic, including Parmalat (Italy) and Ambev (Brazil).

End users can be classified in the following categories:

Alcoholic Beverages:

Rum: Expansion projects planned for export market.

Beer: Potential expansion/upgrade projects are planned to face new competitor Ambev. Export sales are increasing. Leading companies: Cerverceria Nacional Dominicana. Leading brands: Presidente and Bohemia. New investment: Ambev.

Non-Alcoholic Beverages:

Refreshments: Generally, 80 percent of a processing plant for refreshments is devoted to the packaging process – bottle cleaning and handling. Leading companies: Refrescos Nacionales, Compania Embotelladora Dominicana. Leading brands: Coca-Cola and Pepsi-Cola.

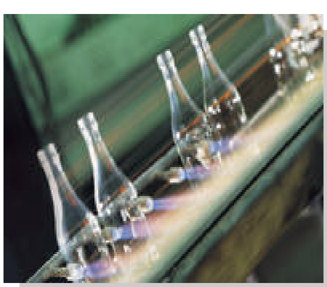
Fruit Juices: very active sub-sector. Leading companies: Celia, Ladom, Rica, Bon, Consorcio Citricola del Este.

Water: There are large bottlers such as Coca Cola, Pepsi Cola, Agua Cristal, Planeta Azul, Hielo Nacional, and many small and medium size bottlers.

Sales Prospects

According to local industry sources, the following new and used/refurbished equipment offer the best sales prospects:

- Equipment used in the manufacture of fruit juice.
- Machines for filling, closing, sealing, labeling bottles and cans.
- Parts for machinery for industrial preparation of beverages.
- Machines to clean or dry bottles or other containers.



Market Access

Exporting beverage-processing machinery to Dominican Republic is currently neither subject to specific regulations nor incentives. There are no particular safety standards or technical requirements contrary to U.S. standards, and there are no specific labeling requirements.

Although the import tariff rate for most equipment in this sector is 3 percent over the CIF value, the effective tax rate can go over 45 percent. This is a result of the application of other taxes such as the 16 percent value added tax (ITBIS), and the exchange surcharge tax of 13 percent.

DIRECT IMPORTS COSTS TEMPLATE		
Base Price		US$100.00
Exchange to pesos (US$1.00=RD$29.13*) (*) Official Exchange rate at Dominican Customs 6/17/05		RD$2,913.00
Freight & Insurance (average 8%)	RD$233.04	
Dutiable Base = CIF in RD$ pesos		RD$3,146.04
3 percent Duty Rate (Arancel)	RD$ 94.38	
- Exchange surcharge 13 of CIF	RD$408.98	
VAT Base		RD$3,649.40
VAT=ITBIS 16 percent	RD$583.90	
		RD$4,233.30
Freight Forwarders fees (1.5% on CIF)	RD$47.19	
Bank Charges - Draft of letter of credit 2% of CIF	RD$62.92	
Landed Cost		RD$4,343.41 (US$149.10)

Distribution Channels

In order to introduce new products to this market, it is strongly recommended that U.S. companies provide leading buyers with sales materials. Promoting products in trade fairs will provide suppliers with extra exposure. Invitations to U.S. trade shows are also encouraged. Although Dominican distributors of beverage processing machinery visit major trade shows in the U.S. and in other countries, it is also expected for manufacturers to visit frequently and to send, by e-mail or fax, promotions and information on new products.

U.S. companies should also keep in mind that the Dominican market is price conscious. Financing is also an important factor to be considered by American firms, since interest rates at local banks are high compared to those prevailing in the U.S. Keeping local customers aware of the latest technologies available in the U.S. could also create new sources of demand.

It is important for U.S. exporters to have a local representative in the market since they are able to provide leads on projects and follow up and provide after-sales service to customers. Many Dominican importers are eager to represent U.S. companies. However, U.S. exporters are advised to become familiar with the Dominican Agents and Distributors Protection Law (Law 173 dated April 6, 1966) before entering into any exclusive distribution agreement. Copies of the law are available from the Commercial Service at the U.S. Embassy in Santo Domingo.

CAFTA-DR

The Free Trade Agreement between the United States and Central America-Dominican Republic, CAFTA-DR, is currently under consideration by the Dominican Congress. There is a prevailing opinion in the Dominican Congress and among most business associations that competitive measures must be passed before the Dominican Congress should ratify the Free Trade Agreement. It is likely that the Dominican Congress will ratify the Agreement, however they will likely wait until the US Congress has passed the implementing legislation.

Upon implementation, 80% of U.S. consumer and industrial goods exports will enter the DR duty-free, with the remaining tariffs phased out over 10 years. For industrial machinery, which includes beverage-processing machinery, 92% of the products will become duty-free immediately.

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